



**FHB Mortgage Bank Plc.
Interim management report
for the third quarter of 2008**

Budapest, 13th November, 2008

Interim management report of FHB Mortgage Bank for the third quarter of 2008 on the activities and results of the Company

This report of FHB Mortgage Bank Public Company Limited by Shares for the third quarter of 2008 is based on the data of the consolidated balance sheet and profit and loss account prepared according to the International Financial Reporting Standards (IFRS). The consolidation applies also to FHB Szolgáltató Zrt. (FHB Services Ltd.), FHB Kereskedelmi Bank Zrt. (FHB Commercial Bank Ltd.), FHB Ingatlan Zrt. (FHB Real Estate Ltd.) and FHB Életjáradék Ingatlanbefektető Zrt. (FHB Annuity Real Estate Investment Ltd. The narratives compare the consolidated, non-audited figures as of 30 September 2007, as of 30 September 2008 and the consolidated, audited figures as of 30 June 2008.

I. Summary of the activities and events of the latest period

Earnings before taxation as of 30 September 2008 were in excess of 7.4 billion forints, 40.1% higher than the Q3 of 2007 figure. Excluding the change in the fair value of swaps for hedging earnings before taxation was almost 8.5 billion forints, 45.9% higher than in the same period of 2007.

The **average net interest margin dropped** by 36 basis points year on year, from 2.97% as of 30 September 2007 to 2.61% due to the competition in the mortgage loan market, rising costs of funds, and the changing composition of the Group's loan portfolio. Over the past quarter the drop in the margin was eight basis points.

The Bank's **consolidated balance sheet footing was up by 14.1%**, from 592.9 billion forints to **676.6 billion forints year-on-year**.

The Group's **cost-income ratio** improved from 61.5% (including the impact of taxes) in the same period of 2007 to **53.5%**.

Shareholders' equity was approximately 37.6 billion forints as of 30 September 2008 as a result of a **23.9% year-on-year increase**.

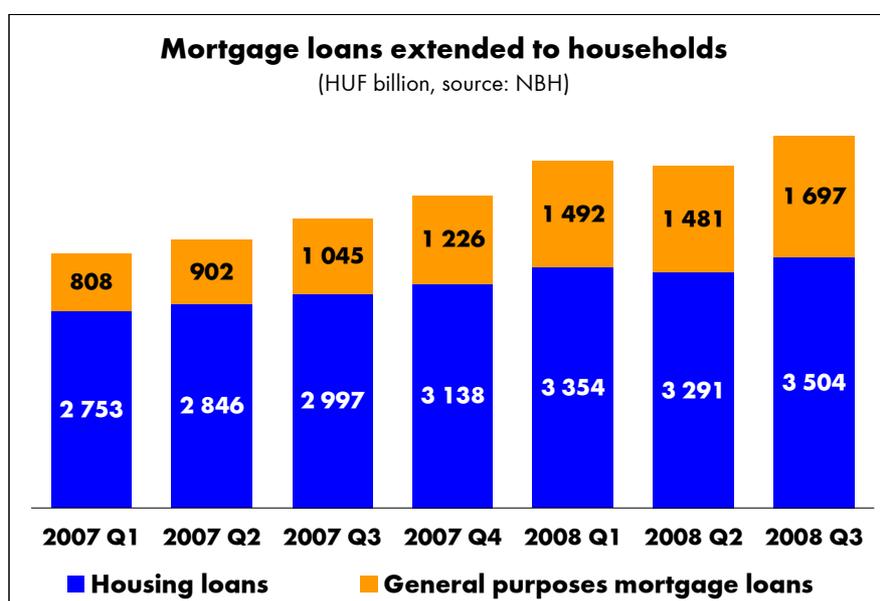
After-tax profit was 5.1 billion forints in Q1-Q3 of 2008, 23.2% up from the Q1-Q3 of 2007 figure.

FHB Group's year-to-date profit for 2008 has exceeded the financial targets.

Retail mortgage loan market

According to National Bank of Hungary figures, retail loan portfolio amounted to 5,201.0 billion forints as of 30 September 2008, achieving a 428.6 billion forints (or 9.0%) increase over the previous quarter's figure (4,772.5 billion forints) with the year-on-year figure being 1,159.1 billion forints (or 28.7%) higher (compared to 4,041.9 billion forints). In terms of both volume and intensity the year-on-year growth is greater than the 701 billion forints growth achieved in 2007, which was 21% higher than the 2006 figure. Disregarding the impact of exchange rates fluctuation the year-on-year growth of the retail mortgage loan portfolio was 1.119 billion forints, or 27.4% (at 30 September 2008 rate). Growth over the previous quarter's figure was 296 billion forints (or 6.0%).

Annual growth in the portfolio continues to be generated by the increasing rate of foreign exchange-denominated loans: the annual growth of the FX loan portfolio was 1,313.1 billion forints (compared to 2,282.9 billion forints as of 30 September 2007). The increase in the FX-denominated portfolio was 459.5 billion forints over the first half of 2008 figure due to the impact of sharp exchange rate movements. At the same time the forint-based loan portfolio shrank by 154 billion forints compared to the same quarter of the previous year and 31 billion forints compared to the previous quarter's figure. At the end of Q3 the total amount of retail mortgage loans was 3,596 billion forints, 69.1% of which was disbursed in foreign exchange as opposed to 1,605.1 billion forints HUF loans, steadily shrinking. The intensity of growth is marked by the fact that in the same period of the previous year the proportion of FEX loans was 56.5%.



Year-on-year growth in housing loans extended to households was 16.3% or 507 billion forints up. The annual growth was significantly higher than the 2007 figure of 370.6 billion forints. The year-on-year growth significantly exceeded the 2007 growth of 370.6 billion forints. The average monthly growth in 2008 was 41 billion forints and showed a substantial spread. Growth in the third quarter of 2008 was 213 billion forints compared to the Q2 figure.

The increase in FX-based loans was greatly contributed to by **soaring general-purpose mortgage loans**. Compared to 1,044.8 billion forints contributing 25.9% to the overall retail loan portfolio as of the third quarter of 2007, the contribution of general-purpose loans to retail lending grew to reach 32.6% by the end of the period of reporting due to general-purpose loans' 56.3% contribution to the growth of the loan portfolio over the past year.

The substantial increase in the portfolio of **general-purpose loans to retail customers** was 21.7% in the first quarter of 2008 followed by a 0.7% drop in Q2, then a 14.5% rise in Q3 and ultimately resulting in a 38.4% overall increase in the first three quarters. Average monthly growth in the Q1-Q3 period was 52 billion forints. Of the total amount of general-purpose loans 98% was disbursed in foreign exchange; the total portfolio value was 1,663 billion forints as of 30 September 2008. General-purpose mortgage loans contributed 64.0% to total consumer loans as of 30 September 2008 as opposed to 54.1% in the reference period. This indicates a significant restructuring within the consumer loan products: the growth of consumer and personal loans is less and less dynamic and the growth of general-purpose loans continues to be strong. The main reason for the trend is the need for households to supplement their shrinking real income from cheap mortgage loans in order to maintain their level of consumption.

Own lending

At the end of the reported period the net amount of loans sold by the Bank was 285.9 billion forints, 2.5% above the 30 June 2008 figure. The year-on-year increase was 12.9%.

In the third quarter of 2008 the Group's loan disbursements amounted to 22.8 billion forints, 67.7% higher compared to 13.6 billion forints in the same period of the reference year and 16.9% above the 19.5 billion forints achieved in Q2 of 2008. In line with the general trend in the mortgage loan market, foreign exchange-denominated lending continues to dominate the lending business contributing 89.6% to Q1, 85.7% to Q2, and 89.3% to Q3 of 2008 disbursements.

Mortgage loan products

General-purpose mortgage loans continue to be the Group's most popular loan product. Disbursements in this category contributed 55.8% to overall Q1-Q3 disbursements and 59.3% to Q3 disbursements, and amounted to 34.7 billion forints, denominated practically entirely in FX. The performance achieved in the third quarter exceeded the Q2 figure by 23%. The year-on-year increase in general mortgage loan disbursements in the third quarter of 2008 was 158.2% than the 13.4 billion forints achieved in Q3 of 2007. As of 30 September the portfolio amounted to 95.3 billion forints, 116.9% of the Q2 figure but 66.6% more than in the same quarter of the reference year.

There has been a steady decline in the demand for housing loans and the contribution of this product to total disbursements has been shrinking. While in the third quarter of 2007 housing loans contributed 43.0% with 5.9 billion forints disbursed, contribution in Q2 of 2008 was 30.7% (with 5.8 billion forints disbursed), and the contribution of this product to the Group's lending performance in Q1-Q3 of 2008 this product was 28.9% with 6.6 billion forints

disbursed. Housing loan disbursements continue to be dominated by loans extended for the purchase of existing homes: their contribution was 4.3 billion forints in Q3 of 2008 (compared to 3.6 billion forints in both Q1 and Q2) as opposed to 2.3 billion forints in Q3 of 2007. The contribution of loans extended for the purchase of existing homes to overall housing loans was 65.3% in Q1-Q3 of 2008. Loans extended for the purchase of new homes amounted to 0.9 billion forints (0.9 billion forints in Q1 and 1.0 billion forints in Q2 of 2008, and 1.0 billion forints in Q3 of 2007), and the total value of home building loans was 1.1 billion forints (the same as the Q1 and Q2 figures, and down from 2.1 billion forints in Q3 of 2007). The value of the housing loan portfolio was 183.0 billion forints as of 30 September 2008, 1.9% higher than 179.5 billion forints in the preceding quarter, and 4.1% up from the Q3 of 2007 figure.

1.93 billion forints performance of corporate loans in the second quarter fell behind the Q1 of 2008 figure, and was virtually repeated in Q3, with 1.9 billion forints achieved. A large portion, 1.2 billion forints, was contributed by commercial real estate financing. Disbursements of home building project loans amounted to 0.7 billion forints, which is over the Q1 and Q2 of 2008 figures and corresponded to the Q3 of 2007 achievement. Corporate loans contributed a significant 7.9% to total disbursements in the second quarter and further increased to reach 8.4% in the third quarter. The value of the portfolio was 18.2 billion forints as of 30 September 2008; year-on-year growth was almost 54.2% and 1.7 billion forints higher compared to Q2 of 2008.

Land development loans achieved 0.4 billion forints in the third quarter of 2008, above the Q2 of 2008 disbursements of 0.1 billion forints but lagging behind the 0.8 billion forints achieved in Q3 of 2007. The value of the land development loans portfolio was 2.6 billion forints as of 30 September 2007, which the Bank managed to increase by 38.8% by the end of the third quarter of 2008.

Launched in 2007, the mortgage product loan extended to senior citizens achieved 0.3 billion forints in both Q1 and Q2 of 2008. This was repeated in the third quarter of 2008. Since the fourth quarter of 2007 the Bank has offered this product denominated also in euro, though the 2008 loans were overwhelmingly denominated in forint. The contribution of HUF loans in this category was 90.3%.

Distribution channels

There was a rather significant change in the breakdown of the various channels of retail lending compared to Q1-Q3 of 2007. While the contribution to disbursements by the network of agents was 59.2% and that of the branches was 40.8% in Q1-Q3 of 2007, agents contributed 68.0% and the Bank branches contributed 32.0% to total disbursements to retail customers in Q1-Q3 of 2008.

Refinancing

As of 30 September 2008 the portfolio of refinanced loans dropped by 2.0%, or 5.7 billion forints year-on-year and amounted to 278.4 billion forints. The value of the portfolio was 278.4 billion forints, 8.5 billion forints, or 2.9%, down from the 30 June 2008 figure. Newly refinanced mortgage loans extended by partners other than FHB Commercial Bank amounted to 21.2 billion forints in the first quarter of 2008. This performance dropped drastically in the second quarter

and amounted only to 0.5 billion forints, and the Q3 performance was also a moderate 0.9 billion forints, only 4.3% of the Q3 of 2007 contribution. The drop was caused by the fact that the Mortgage Bank's main refinancing partner suspended the refinancing of FX loans from April 2008 due to increasing costs of funds and the funding received from its parent bank. Changes in the refinancing business are in line with the 2008 business and financial plans.

In accordance with the agreement with FHB Commercial Bank Ltd., the value of intra-group refinancing amounted to 12.3 billion forints in the second quarter of 2008 and 15.6 billion forints in the third quarter, same as the Q1 performance. The increase over the Q2 performance was again 27.3%. The intra-group refinancing business had started in Q3 of 2007, however, the 3.9 billion forints transaction value was only a quarter of this year's performance.

FHB Commercial Bank Ltd.

Loans extended by FHB Commercial Bank in the third quarter of 2008 amounted to 19.6 billion forints, contributing 81.4% to own lending. This amount is 27.9% higher than the 15.3 billion forints achieved in Q2 of 2008 and more than seven times higher year-on-year. The amount was entirely contributed by mortgage loan sales. Disbursements are dominated by the Swiss franc, though to a somewhat decreasing extent (93.6% in Q3 compared to 96.5% in Q2 and 99.9% in Q1). Euro and forint disbursements jointly amounted to only 551 million forints in the first half followed by an increasing 1.3 billion forints in Q3. As was the case in the preceding quarter, the loan portfolio is dominated by general-purpose mortgage loans contributing 10.8 billion forints to total disbursements in Q2 and 13.5 billion forints in the reported quarter. The main products within the housing loan portfolio were loans extended for the purchase of new and existing homes with a total contribution of 4.8 billion forints to the Commercial Bank's achievement in the second quarter following 3.9 billion forints in Q2. After its take-off in the first quarter (with 408.4 million forints) corporate lending disbursed for commercial real estate financing loans in Q2 was only 62 million forints in the reported quarter. There was no disbursement in this product category in Q3.

The number of retail current accounts was over 31,000 as of 30 September 2008, 21% above the Q2 figure. There was a continued increase in funds on retail and corporate deposits compared to the previous quarter and contributed 4.7% to the Group's balance. The number of bank cards issued in the third quarter of 2008 was 4,500. Taking into account the 3,800 new cards issued in Q2 of 2008, the total number of cards issued so far to FHB Commercial Bank customers was approximately 15,000.

FHB Life Annuity Ltd.

FHB Annuity Ltd. offers two products to senior customers. FHB Annuity is sold directly by FHB Annuity Ltd. The other product, FHB Mortgage Annuity is a reverse mortgage product, which means the contracts are reported directly in the balance sheet of FHB Plc. In terms of this product, FHB Annuity Ltd. is involved in product development as well as sales, the latter on the basis of an agency agreement signed with FHB Plc.

Since its foundation to 30 September 2008 FHB Annuity signed annuity contracts amounting to 5.1 billion forints, 1.3 billion forints in Q2 and 1.2 billion forints in Q3 with approximately the same total respective real estate value. The portfolio value in the third quarter is more than two and a half times the Q3 of 2007 total contract value of 441.6 million forints. Annuity payments since the launch of the product have amounted to 1.8 billion forints.

FHB Real Estate Ltd.

The core business of FHB Real Estate Ltd. is to provide collateral valuation, real estate investment and sales, real estate management and real estate valuation services to members of the Group. In addition to the Group, FHB Real Estate Ltd. also offers valuation services to external buyers.

In the first quarter of 2008 the FRH Real Estate launched the real estate agency business. Expansion and further development of the new activity is in progress. The major event in Q2 of 2008 was the introduction of the real estate development business and preparation of the relevant organization. Services planned include project management, engineering, expert services and consultancy. While this business was launched in Q3 of 2008, investment projects have not yet been commenced due to the current financial crisis.

Mortgage bond issues and financing

In the third quarter of 2008 funding was ensured primarily through mortgage bond and unsecured bond issues in the domestic market in Q2. The Mortgage Bank has generated 75.6 billion forints of gross funds in Q3 of 2008 (including 1.7 billion forints unsecured bond issues), 68.6 billion forints more than in the reference quarter of 2007 and almost 41.5 billion forints more than in Q2 of 2008.

Funds involved in Q1-Q3 of 2008 amounted to nearly 140 billion forints, almost 80 billion forints more than in the same period of 2007. Nine series matured in the first three quarters of 2008 with a total face value of 59.7 billion forints. Total redemption value was 43.0 billion forints.

The Schuldschein loan with 2 years maturity and 50 million euro face value drawn up by the Bank in August, 2006, was matured as at 4th August, 2008. The loan was elongated for a further 2 years with 30 million euro face value as at 6th August, 2008.

In the first quarter of 2008 the Bank's Issue Programme for 2007 and 2008 was authorized with a maximum total face value of 200 billion forints. The first series under the new Programme were launched in February and March.

An event of major importance for the Bank was the definitive Aa rating of FHB's mortgage bonds by Moody's as of 1 April 2008. The FHB mortgage bonds were put on the negative watch only because of the possible implications of the privatization in August 2007. The mortgage bonds were downgraded from Aa2 to Aa3 but the Bank managed to keep mortgage bonds in the Aa category still deemed excellent by investors.

On 4 March 2008 the Luxembourg Stock Exchange approved the Bank's Mortgage Bonds and Bonds Issues Programme with a total value of three billion euros. From this date the Bank's mortgage bonds are also classified as "ECB eligible".

Trading of FHB's mortgage bonds in the stock exchange was moderate in the third quarter of 2008 and remained below half a billion forints, similarly to previous quarters. A large portion of trading was contributed by fixed interest earning mortgage bonds.

The aggregate mortgage bond portfolio of the three Hungarian mortgage banks amounted to 1,752.0 billion forints as of 30 September 2008. FHB's share of the mortgage bond market was 27.4% at the end of the second quarter, with a minimal increase to 28.1% by the end of the third quarter.

Changes in the legislative environment

The most important legislative changes in Q3 of 2008 that affect the Group's business were as follows:

Decree No. 3 of 2008 (26 February) of the Minister of Finance on the data to be provided for the Hungarian Financial Supervisory Authority by credit institutions and the method of provision entered into effect on 27 February 2008 and was amended by *Decree No. 27 of 2008 (19 September) of the Minister of Finance* (effective as of 27 September 2008).

Restructuring and staff figures

Staff figures

The consolidated headcount was 593 at the end of the third quarter, 28 higher than the 563 staff at the end of Q2 of 2008 and 14.0% up from the Q3 of 2007 figure of 520. As of 30 September 2008 branch staff was 185 (171 in Q2) and that of headquarters was 408 (393 in Q2). All of the branch staff are employed by FHB Commercial Bank. Group companies had the following staff figures as of 30 September 2008: FHB Mortgage Bank Plc. 85, FHB Commercial Bank Ltd. 298, FHB Services Ltd. 173, FHB Annuity Ltd. 17, and FHB Real Estate Ltd. 20.

Officers and executives

On 29 April 2008 all members of the Board of Directors resigned from their position. The Annual General Meeting elected the following persons to serve on the Board of Directors, each with a mandate of five years: Dr. Zoltán Spéder, Dr. Gábor Borsányi, Dániel Gyuris, László Harmati, Dr Christian Riener, Dr. Károly Salamon, István Somkuti and Dr. Márton Vági. At its first meeting held after the AGM the Board of Directors elected Dr. Zoltán Spéder as chairman. The following members of the Supervisory Board resigned from their position as of 29 April 2008: Róbert Somfai, Dr. Gyula Czok, Éva Baranyi and Márta Szántó. The AGM re-elected Róbert Somfai with a mandate for five years. At its first meeting held after the AGM the Supervisory Board elected Róbert Somfai as chairman.

Jenő Siklós resigned from his position as Chairman of the Board of Directors of FHB Services Ltd. and FHB Real Estate Ltd as of 1 September 2008 and quit FHB Mortgage Bank Ltd. on the same day. Since November 2008 Gyula Köbli is the Group's CFO and deputy CEO.

II. Summary figures of the latest period (IFRS)¹

The Bank's **after-tax profit consolidated** according to International Financial Reporting Standards was up year-on-year by **14.1%**, from 592.9 billion forints to **676.6 billion forints**. The increase was predominantly generated by the growth in the mortgage loan portfolio.

Shareholders' equity grew by 23.9% year-on-year to exceed **37.6 billion forints**, due primarily to an increase in retained earnings.

Earnings before taxation were **7.4 billion forints** in the reported quarter (swap effect: - 1,050 million forints), 40.1% up from the reference period figure. **After-tax profit** was **5.1 billion forints**.

Key financial indicators	Consolidated figures by IFRS		
	30 Sept 2007	30 Sept 2008	30 Sept 2008 / 30 Sept 2007
Balance sheet total (HUF million)	592,928	676,591	14.1%
Book value of mortgage loans (HUF million)	531,307	581,048	9.3%
Book value of mortgage bonds (HUF million)	498,216	505,819	1.5%
Bonds issued (HUF million)	6,914	64,450	832.2%
Shareholders' equity (HUF million)	30,346	37,589	23.9%
Earnings before taxation (HUF million)	5,299	7,424	40.1%
After tax profit (HUF million)	4,107	5,060	23.2%
Net interest margin (NIM)	2.97%	2.61%	-12.2%
EPS (HUF)	83	103	23.6%
P/E (share price/EPS)	25.9	9.5	-63.3%
P/BV (share price/equity/number of shares)	4.70	1,72	-63.4%
Adjusted capital (by HAS)	26,409	27,835	5.4%
Capital adequacy ratio (by HAS)	12.4%	13.5%	8.9%
ROAA (return on average assets)	1.0%	1.1%	8.8%
ROAE (return on average equity)	17.1%	18.8%	10.0%

¹ IFRS, consolidated, non-audited figures

III. Analysis of FHB Mortgage Bank Plc.'s financial statements prepared according to IFRS

P/L structure²

Data in HUF million

DESCRIPTION	2007 Q3 (Jul-Sept)	2008 Q2 (Apr-June)	2008 Q3 (Jul-Sept)	2008 Q3/ 2007 Q3	2008 Q3/ 2008 Q2
Net interest income	4,150	4,102	4,243	2.2%	3.4%
Net fees and commissions income	184	424	429	133.9%	1.4%
Net profit from financial transactions	331	172	735	-	-
Other income and expenditure	318	556	333	4.7%	-40.1%
Gross operating income	4,983	5,253	5,740	15.2%	9.3%
Operating expenses	-3,228	-3,090	-3,025	-6.3%	-2.1%
Net operating income	1,755	2,163	2,715	54.7%	25.5%
Losses from lending and impairment	-130	-441	-244	88.2%	-44.7%
Profit before taxation	1,625	1,723	2,471	52.1%	43.5%
Taxes	-305	-588	-870	185.6%	48.0%
After tax profit	1,320	1,134	1,601	21.3%	41.2%
Profit before tax without changes in fair value of swap transactions	1,462	1,872	3,623	147.8%	93.5%
Profit after tax without changes in fair value of swap transactions	1,157	1,284	2,753	137.9%	114.4%

In the third quarter of 2008 the Bank realised **1.6 billion forints consolidated after-tax profit by IFRS**, 41.2% more than in Q2 of 2008 and 21.3% higher year-on-year. **Profit before tax was 2.5 billion forints.**

After-tax profit excluding hedges amounted to 2.8 billion forints in the third quarter of 2008, 137.9% above the figure for the reference quarter of 2007 and 114.4% higher than the Q2 of 2008 figure.

² IFRS, consolidated, non-audited figures

Data in HUF
 million

DESCRIPTION	2007 Jan - Sept	2008 Jan - Sept	2008 / 2007
Net interest income	12,549	12,481	-0.5%
Net fees and commissions income	756	1,322	74.9%
Net profit from financial transactions	384	1,845	380.5%
Other income and expenditure	252	1,356	438.1%
Gross operating income	13,941	17,004	22.0%
Operating expenses	-8,576	-9,099	6.1%
Net operating income	5,364	7,905	47.4%
Losses from lending and impairment	-65	-480	638.5%
Profit before taxation	5,299	7,425	40.1%
Taxes	1,192	2,364	98.3%
After tax profit	4,107	5,060	23.2%
Profit before tax without changes in fair value of swap transactions	5,808	8,475	45.9%
Profit after tax without changes in fair value of swap transactions	4,616	6,110	32.4%

As of 30 September 2008 **consolidated after-tax profit by IFRS amounted to 5.1 billion forints**, 23.2% up from the Q3 2007 figure. **Earnings before taxation was 7.4 billion forints**, 40.1% above the EBT achieved in Q1-Q3 of 2007. After-tax profit excluding hedge swaps was 6.1 billion forints in 2008 as opposed to 4.6 billion forints as of 30 September 2007.

Net interest income

Net interest income was 4.24 billion forints in the third quarter of 2008, almost identical with the figure achieved in the same period of last year (4.15 billion forints) and 3.4% higher than the Q2 of 2008 figure. The net figure emerged as a balance of 18.8 billion forints interest income (121.7% of the Q3 of 2007 figure and 9.2% above the Q2 of 2008) and 14.6 billion forints interest expense (128.8% of the Q3 of 2007 figure and 111.1% of the Q2 of 2008 figure). Net interest income in Q1-Q3 of 2008 was 12.5 billion forints, 0.5% down from the Q1-Q3 of 2007 figure, due mainly to a 20.3% (or 53.3 billion forints up to 30 September 2008) increase in interest income and a 28.5% (or 40.9 billion forints up to 30 September 2008) increase in interest expenditure.

In the third quarter of 2008 39.2% of interest income was contributed by interest income on own lending (compared to 41.3% in Q2 of 2008 and 43.4% in the reference quarter of 2007). The contribution of refinanced mortgage loans was 30.0% (compared to 33.2% in Q2 of 2008 and 38.2% in Q3 of 2007). The aggregate interest income on interbank deposits and securities contributed 5.4% (3.7% in Q2 of 2008 and 4.1% in Q3 of 2007), while the contribution of interest income on derivatives was 25.4% (21.8% in Q2 of 2008 and 14.3% in Q3 of 2007).

In terms of breakdown for the Q1-Q3 period, 40.9% of interest income was contributed by interest income on own loans (43.3% in Q1-Q3 of 2007). The contribution of interest income on refinanced loans was 32.4% (40.3% in the reference period). The aggregate contribution of interest income on interbank deposits and securities was 3.7%, down from the previous year's figure of 3.8%. The most significant change occurred in the item of interest income on derivative transactions that contributed 23.0% to total interest income as opposed to 12.5% in Q1-Q3 of 2007.

The breakdown of interest income followed the earlier trend: the contribution of interest income on refinanced loans decreased while interest income on derivatives increased, (in accordance with the Bank's plans), and the contribution of interest income on interbank deposits and securities steadily appears low.

Within the line item of interest income, the contribution of interest subsidy (subsidy of interest on mortgage bonds and supplementary interest subsidy) was 44.9% in the third quarter of 2007, 32,6% in the second quarter of 2008 and 27.6% in the third quarter of 2008. In line with the trend in earlier years, income from interest subsidies has been dropping while interest income from customers has increased: in the first three quarters of 2007 interest income subsidies contributed 48.4% to total interest income and dropped to merely 29.8% in Q1-Q3 of 2008.

In the third quarter of 2008, 60.0% of interest expenditures were incurred in conjunction with mortgage bonds and 8.5% by bonds. The contribution of interest paid on interbank loans received was 2.0%; the contribution of interest paid on deposits was as much as 4.3% and that of derivative hedges was 25.0%. The contribution of expenditures on interest on mortgage bonds was 62.9% in Q2 of 2008 and as much as 75.8% in Q3 of 2007. Interest paid on derivative transactions contributed 23.4% in Q2 of 2008 and 20.4% in Q2 of 2007.

The interest expenditure in Q1-Q3 shows a varied picture compared to the reference year: 62.6% of interest expenditure was incurred in conjunction with mortgage bonds, added to that are 7.9% interest expenditure on bonds; the contribution of interest paid on interbank loans received was negligible (2.2%), similar to the contribution of interest paid on deposits (of which contribution is getting higher within interest expenditures) and the contribution of derivative transactions was 24.5% in the Q1-Q3 of 2008. The breakdown in the same period of 2007 was 77% interest paid on mortgage bonds and 19.5% on derivatives.

The average net interest margin (NIM) was 2.61% as of 30 September 2008 and 2.97% as of 30 September 2007 and 2.69 in Q2 of 2008. The drop in NIM continues to be caused by two major factors. One is the Bank's transforming loans portfolio structure, which has been an ongoing process for a longer period and has a long-term effect on the breakdown of the Bank's own and refinanced loans portfolio. In the refinanced loan portfolio there has been a steady decline in subsidized loans as new loans are predominantly denominated in FX and thus scheduled repayments of principal and prepayments are higher than the amount of new loans disbursed. Dwindling subsidized loans are replaced by lower margin FX-based loans. Another negative impact on overall NIM is that most of the subsidized portfolio was re-priced in 2007 and 2008. A similar transformation is taking place in terms of the portfolio of the Bank's own loans, where an additional negative effect stems from rising EUR and CHF yield curves and

mounting costs of funds, which actors in the banking sector deferred to customers by raising their interest rates. The impact of higher rates will be more keenly felt in the coming quarters.

Net fees and commission income

In the second quarter of 2008 the Bank achieved a positive balance of 424 million forints. The balance in the third quarter was roughly the same, 430 million forints, which is 133.9% higher than the 184 million forints achieved in Q3 of 2007. In the reported period net income from fees contributed 5.8% to gross operating profit.

Net fees and commissions income in the third quarter of 2008 was 630 million forints, more than half was contributed by prepayment commissions, 14.0% by handling fees, and 6.0% by current account and card related banking fees and commissions. Commissions paid to acquisition agents contributed 20.0% and fees paid in conjunction with mortgage bond issues contributed 78.6% to expenditure on fees and commissions. Commissions paid to consortial partners contributed 1.6%.

As of 30 September 2008 income from fees and commissions amounted to 1,671 million forints, 28.4% more than as of 30 September 2007. Handling fees amounted to 282 million forints; fees received in conjunction with prepayment amounted to 1.145 million forints, and mortgage loan related income was 113 million forints. The combined income from account and card related services amounted to 84 million forints in Q1-Q3 of 2008.

As regards fees and commission expenditures in Q1-Q3 (349 million forints), commissions paid to agents amounted to 66 million forints and contributed 19.0% to the item. Fees paid to consortial partners were a total of 13 million forints (contributing 3.8% to total expenditures), and fees paid in connection with the launching of mortgage bonds amounted to 236 million forints (67.6%).

Net profit from securities and currency transactions

As a result of exchange rate movements over the reported quarter profit from foreign exchange transactions in Q1-Q3 contributed 2.464 million forints to earnings, 1.8 billion forints more than the 661 million forints achieved in the same period of 2007.

After the 150.2 million forints positive balance of derivative transactions achieved in the second quarter of 2008, a 1,049.8 million forints loss was generated in the third quarter. The balance in Q1-Q3 of 2007 was a loss of 509 million forints.

In Q3 of 2008 profit from securities transactions amounted to 149 million forints, which, added to the 280 million forints achieved up to 30 June 2008, resulted in a total of 430 million forints achieved in the first half. The same item was 232 million forints in Q1-Q3 of 2007. The figure emerged as a balance of exchange gains and losses on securities issued and repurchased during the year.

Other income

As of 30 September 2008 the balance of other income and expenditure was 1,357 million forints, arising from 526 million forints income achieved in the Q1, 518 million forints achieved in Q2 and 478 million forints income in Q3 net of 58.1 million forints expenditure in Q1, 36 million forints expenditure in Q2 and 145 million forints in Q3. As of 30 September 2007 the balance of other income and expenditure was +253 million forints and included 433 million forints income net of 180 million forints expenditure. The item of other income and expenditure contains 1.5 billion forints related to the business of FHB Annuity Ltd., which includes income from the valuation of receivables from annuities. On the other expenditures side, the line item also includes donations, late charges and settlement with the tax authorities.

Operating expenses

Data in million HUF

DESCRIPTION	2007 Q3 (Jul - Sept)	2008 Q2 (Apr - June)	2008 Q3 (Jul - Sept)	2008 Q3 / 2007 Q3	2008 Q3/ 2008 Q2
General administrative costs	2,657	2,481	2,329	-12.3%	-6.1%
Personnel expenses	1,220	1,163	1,289	5.7%	10.8%
- wages	795	725	812	2.1%	12.0%
- other personnel expenses	154	163	174	13.0%	6.7%
- social security expenses	271	275	303	11.8%	10.2%
Other administrative costs	1,437	1,319	1,040	-27.6%	-21.2%
Taxes paid	252	148	220	-12.7%	48.6%
Depreciation	319	460	476	49.2%	3.5%
TOTAL OPERATING EXPENSES	3,228	3,090	3,025	-6.3%	-2.1%

Operating costs amounted to 3.0 billion forints in the third quarter of 2008, 2.1% down from the Q2 of 2008 figure (3.1 billion forints). Operating costs in the reported quarter were 6.3% less than the 3.2 billion forints achieved in the reference quarter of 2007. As a result of infrastructure investment and restructuring the cost/income ratio (CIR) was 61.5% as of 30 September 2007 and 53.5% as of 30 September 2008. CIR excluding banking contribution was 49.5% as of 30 September 2008.

There was a minor change in the **breakdown** of operating costs. The contribution of **personnel expenses** in the third quarter of 2008 was 42.6% compared to 37.6% in the second quarter. The increase in personnel expenses over the Q2 figure was 10.8%. **Other administrative costs** were 21.2% up from the Q2 of 2008 figure and 27.6% down from the Q3 of 2007 figure. There is a slight downward change in the contribution of this item to operating costs, from 42.7% as in Q3 of 2008 to 34.4% by the end of the reported quarter.

Data in million HUF

DESCRIPTION	2007 Jan - Sept	2008 Jan - Sept	2008 / 2007
General administrative costs	6,962	7,100	2.0%
Personnel expenses	2,865	3,556	24.1%
- wages	1,729	2,213	28.0%
- other personnel expenses	507	518	2.2%
- social security expenses	629	825	31.2%
Other administrative costs	4,097	3,544	-13.5%
Taxes paid	759	686	-9.6%
Depreciation	856	1,313	53.4%
TOTAL OPERATING EXPENSES	8,577	9,099	6.1%

In Q1-Q3 of 2008 operating costs amounted to 9.1 billion forints and were 6.1% above the figure in Q1-Q3 of 2007. The increase results mainly from increasing personnel expenses and a

drop in other administrative costs. Personnel expenses contributed 39.1% in 2008 as opposed to 33.4% in 2007, with a year-on-year growth of 24.1%. Other administrative costs contributed 47.8% in Q3 of 2007 and were down to 38.9% in the third quarter of 2008.

Over the past period there has been a considerable change in terms of some of the items contributing to other administrative costs. As a result of the expansion of the network of branches rents amounted to 644 million forints in Q1-Q3 of 2008 and amounted to 212 million forints in both Q1 and Q2, and 220 million forints in Q3. As of 30 September 2008 the contribution of rents to other administrative costs was 7.1% as opposed to 9.0% in the reference quarter of 2007.

Marketing and advertising costs amounted to 546 million forints as of 30 September 2008, with a 24.9% year-on-year decrease. Costs were similar in the first two quarters but declined substantially in the third quarter.

Consultants' and experts' fees were the same as in the second quarter, 174 million forints, significantly below the 226 million forints in Q3 of 2007. The Q1-Q3 figure was 491 million in 2008 as opposed to 804 million forints in 2007. This significant drop is attributed to the fact that most of the strategic project had been completed in 2007. While the contribution of consultants' fees to other administrative costs as of 30 September 2007 was 19.6%, the Q1-Q3 of 2008 figure dropped to 13.9%.

Within the line item of other administrative costs general and administrative costs amounted to 300.5 million forints in the second quarter of 2008. The item in the reported quarter was half a percent higher, 302.2 million forints, 50% higher than the 201.5 million forints achieved in Q3 of 2007. General and administrative costs incurred so far in 2008 amounted to a total of 826 million forints, with a year-on-year increase of 58.2% compared to 521 million forints in Q1-Q3 of 2007.

Costs of banking activity contribute 27.0% to other administrative costs in Q1-Q3 of 2008 (12.7% in Q2 of 2008 and 50.6% in Q3 of 2008). The main component of banking costs was life insurance costs related to loan coverage, which contributed 43.8% to total banking costs as of 30 June 2008 and 19.8% as of 30 September 2008.

In Q1-Q3 of 2008 depreciation amounted to 1,313 million forints, of which 378 million forints were incurred in the first quarter, 460 million in the second quarter, and 475 million forints in the third quarter. Year-on-year increase of the Q1-Q3 figure is 53.4%. The change compared to Q1-Q3 of 2007 is due to the depreciation of newly acquired tangible and intangible assets. Of the Q1-Q3 of 2008 depreciation, 67.8% was contributed by intangible assets and 22.2% by tangibles.

Taxes paid dropped in the period of reporting: as opposed to 252 million forints in Q3 of 2007 and 148 million forints in Q2 of 2008, taxes paid by the Bank in the third quarter of 2008 amounted to 220 million forints. Almost all of the taxes paid is contributed by the statutory banking contribution.

Portfolio quality, loss in value and provisions

Portfolio quality continues to be good. There was a slight drop in the proportion of problem-free loans in both the overall and the loan portfolio (receivables from customers and commitments) compared to the second quarter of 2008.

The portfolio value determined according to IFRS amounted to 608.3 billion forints as of 30 September 2008 as opposed to 599.4 billion forints as of 30 June 2008 and 593.6 billion forints as of 30 September 2007. The portion of the portfolio constituting the basis for impairment reported according to IFRS rules was 1.37% as of 30 September 2008, 1.24% as of 30 June 2008, and 0.84% as of 30 September 2007. Impairment to the entire portfolio was 0.23% as of 30 September 2008, 0.20% as of 30 June 2008, and 0.13% as of 30 September 2007.

At the end of the period the impairment portfolio was 0.5 billion forints, 416 million forints over the 30 September 2007 figure. The portfolio and its breakdown is shown in the table below.

Description	Data in thousand HUF	
	30 September, 2008	30 September, 2007
Impairment as at 1st January	990,701	819,296
Charge for the period	1,907,278	1,766,349
Release during the period	-1,705,226	-1,828,498
Impairment at period end	1,201,753	757,147
Net effect of charge and release	346,539	-52,889
Loans written off	0	0
Loss on loans sold	115,613	103,306
Loss on terminated loans	19,269	13,391
Charge/(release) for commitments	-820	1,017
Losses on loan and advances	480,601	64,825

Balance sheet

Data in HUF million

DESCRIPTION	30.09.2007.	30.06.2008	30.09.2008.	30.09.2008. / 30.09.2007.	30.09.2008./ 30.06.2008.
Cash	396	447	489	23.5%	9.4%
Receivables from NBH	468	1,531	3,705	691.7%	142.0%
Interbank deposits	25,180	9,018	18,337	-27.2%	103.3%
Available for sale securities	14,520	23,277	48,137	231.5%	106.8%
Refinanced mortgage loans	284,395	287,327	278,853	-1.9%	-2.9%
Loans	246,911	282,675	302,195	22.4%	6.9%
Fair value of derivatives	5,496	7,021	4,468	-18.7%	-36.4%
Property for investment	792	3,892	5,105	544.6%	31.2%
Tangible assets	8,932	9,936	10,195	14.1%	2.6%
Other assets	5,838	5,614	5,107	12.5%	-9.0%
Assets total	592,928	630,738	676,591	14.1%	7.3%
Payables total	562,582	594,437	639,002	13.6%	7.5%
- Interbank borrowings	46,902	22,144	20,747	-55.8%	-6.3%
- Mortgage bonds	498,216	467,649	505,819	1.5%	8.2%
- Bonds issued	6,914	61,734	64,450	832.2%	4.4%
- Deposits	2,294	28,635	32,050	1,297.1%	11.9%
- Fair value of derivatives	4,439	9,010	10,425	134.8%	15.7%
- Reserves for annuity	181	984	1,171	547.0%	19.0%
- Other liabilities	3,636	4,280	4,340	19.4%	1.4%
Shareholders' equity	30,346	36,301	37,589	23.9%	3.5%
- Subscribed capital	6,600	6,600	6,600	0.0%	0.0%
- Repurchased own shares	-19	-126	-330	1,636.8%	161.7%
- Share premium	1,709	1,709	1,709	0.0%	0.0%
- General reserve	2,937	3,424	3,674	25.1%	7.3%
- Cash-flow hedge reserve	-2,396	-562	-706	-70.5%	25.6%
- Stock option reserve	84	22	53	-35.7%	145.5%
- Changes in fair value of avail. for sale fin. assets	-7	-19	-41	485.7%	115.8%
- Accumulated assets	21,438	25,254	26,630	24.2%	5.4%
Liabilities total	592,928	630,738	676,591	14.1%	7.3%

As of 30 September 2008 the Bank's consolidated balance sheet total by IFRS amounted to 676.6 billion forints, which is 45.9 billion forints, or approximately 7.3% higher than in Q2 of 2008 and 83.7 billion forints, or 14.1%, higher than the balance sheet total as of 30 September 2007. Compared to the 30 September 2007 reference period, the increase in assets was the joint impact of different factors including a 55.3 billion forints expansion of the loan portfolio reduced by 5.5 billion forints refinancing, 6.8 billion forints interbank lending and a 33.6 billion forints increase in securities, added to a 3.2 billion forints increase in receivables from the NBH.

On the liabilities side, 57.5 billion forints of the increase were contributed by the expansion of bonds and 29.8 billion forints by growing deposits. This, however, was reduced by a 26.2 billion forints decrease in interbank borrowings. There was a slight, 7.6 billion forints increase in the mortgage bonds portfolio. Shareholders' equity increased by approximately 7.2 billion forints year-on-year, primarily as a result of an increase in accumulated assets.

The increase in assets compared to the balance sheet as of 30 June 2008 was caused predominantly by a 19.5 billion forints expansion of own loans and a 24.9 billion forints increase in the securities portfolio in addition to a 9.3 billion forints expansion in interbank lending and a 2.2 billion forints increase in receivables from the NBH. Conversely, the balance sheet total was net of an 8.5 billion forints reduction in refinancing, and the 2.6 billion forints drop in the fair value of derivatives. On the liabilities side, the mortgage bonds portfolio expanded by 38.2 billion forints while bonds issued increased by 2.7 billion forints. Deposits increased by 3.4 billion forints in the third quarter. As a result of these effects there was 1.3 billion forints change in shareholders' equity in Q3.

Interest earning assets

The Group's interest earning assets were up from 603.8 billion forints as of 30 June 2008 to 651.2 billion forints as of 30 September 2008. Increase over the Q3 of 2007 figure was 14.0%. Loans to retail customers disbursed by the Bank were 22.4% higher as of 30 September 2008 than in the reference year and 6.9% down from the Q2 of 2008 figure. Impairment to cover for losses from lending was up from 757 million forints in September of 2007 to 1,366 million forints. The year-on-year increase in refinanced loans was 2.0%, however, there was a 3.0% drop in this item in the third quarter. As of 30 September 2007 refinancing and the Bank's own loans contributed 93.0% to interest earning assets. This contribution dropped to 89.2% by 30 September 2008.

The collateral value of real estate covering ordinary collateral amounted to 1,394.0 billion forints as of 30 September 2008, 0.4% higher than the figure (1,388.8 billion forints) as of 30 June 2008 and 6.8% up from the figure in Q3 of the reference year (1,304.8 billion forints). The LTV ratio (loan principal receivable to collateral value) was 38.5% as of 30 September 2008, somewhat higher than the 38.4% LTV ratio in the reference period of the previous year and as of 30 June 2008.

The portfolio of NBH and other interbank deposits was up from 10.5 billion forint as of 30 June 2008 to 22.1 billion forints in the reported quarter, which means its contribution to interest earning assets was 3.4%.

The value of the securities portfolio of the Bank increased from 14.5 billion forints as of 30 September 2007 to 23.3 billion forints as of 30 June 2008 and further grew to achieve 48.1 billion forints as of 30 September 2008. The contribution of securities to interest earning assets was thus 7.4%. NBH discount bonds replacing NBH deposits contributed 6.5 billion forints to securities, the contribution of discount treasury bills was 38.9 billion forints and government bonds contributed the remaining 2.5 billion forints. The Bank's securities portfolio continues to serve exclusively as a liquidity reserve.

Property for investment, own and other assets

The value of real estate transferred into the Bank's possession as a result of annuity sales over the year was 5.1 billion forints as of 30 September 2008, 31.1% up from the 3.9 billion forints achieved in the previous quarter.

The net value of tangible and intangible assets amounted to 8.9 billion forints as of 30 September 2007. This high amount was due primarily to new IT and other hardware and other tangible assets as well as software. In the wake of purchases in 2008 the item a result increased to reach 10.2 billion forints by the end of reported quarter.

Other assets amounted to 5.1 billion forints as of 30 September 2008 as opposed to 5.8 billion forints in the same period of the reference year. The change is due primarily to the low balance of settlements (of interest subsidies) with the Hungarian State in the reference period.

Interest bearing liabilities

Mortgage bonds contributed 81.2% to the Bank's interest bearing liabilities as of 30 September 2008. The same item was 72.9% as of 30 June 2008 and 88.8% as of 30 September 2007. The 505.8 billion forints book value of mortgage bonds as of 30 September 2008 was 8.2% up from the Q2 figure (467.6 billion forints), the year-on-year increase amounting to 7.6 billion forints was contributed by 134.1 billion forints new issues, 75.2 billion forints repayments and 43.0 billion forints repurchase including related exchange rate adjustments.

Mortgage bond collateral

The value of assets used as ordinary collateral for the mortgage bonds issued by the Bank was 927.9 billion forints as of 30 September 2008, 0.8% up from the figure as of 30 June 2008 (920.5 billion forints) and 5.8% up from the figure as of 30 September 2007 (877.0 billion forints).

The value of the group of assets involved as collateral as of 30 Sept 2008 (HUF million)

Outstanding mortgage bonds in circulation	
face value:	492,486
interest:	143,760
total:	636,246
Value of the regular collateral	
principal:	542,005
interest:	385,887
total:	927,892
Value of assets involved as supplementary collateral (state bonds)	
principal:	24,000
interest:	0
total:	24,000

The present value of mortgage bonds amounted to 472.3 billion forints, and the present value of collateral was 582.2 billion forints as of 30 June 2008, thus the rate of coverage was 123.3%. As of 30 September 2008 the present value of mortgage bonds increased to reach 518.6 billion forints, and that of collateral to 616.9 billion forints. The rate of coverage was 118.96%.

As of 30 September 2008 net ordinary and supplementary collateral principle to the face value of mortgage bonds in circulation not yet repaid was 114.9%. Net interest on ordinary and supplementary collateral to interest on mortgage bonds in circulation not yet repaid was 268.4%.

Bonds issued

Launched first in September 2007, unsecured bond issues constitute a new fund raising securities type instrument in addition to mortgage bond issues. The issues resulted in bonds with a book value of 64.5 billion forints as of the 30 September 2008 balance date as a result of a 14.7 billion forints increase in Q2 and a 2.7 billion forints increase in Q3.

Interbank funds

As of 30 September 2008 the 20.7 billion forints interbank portfolio contained interbank drawdown amounting to 2.8 billion forints, a EUR club loan equivalent to 10.6 billion forints, and a Schuldschein loan equivalent to 7.3 billion forints denominated in euro. The Bank has used the interbank facilities as supplementary funds.

Deposits

As of 30 September 2008 deposits amounted to 32.0 billion forints including approximately one billion forints surety deposits covering corporate loans and 30.0 billion forints deposits from retail

customers and approximately 0.5 billion forints deposits from corporate customers of FHB Commercial Bank. As of 30 June 2008 deposits amounted to 28.6 billion forints compared to only 2.3 million forints as of 30 September 2007.

Other liabilities

The Bank's other liabilities amounting to 4.2 billion forints include, among others, liabilities to suppliers (contributing 5.1% as of 30 September 2008 compared to 12.4% as of 30 September 2007), accruals (9.9% as of 30 September 2008 compared to 20.6% as of 30 September 2007), and taxes payable (28.6% as of 30 September 2008 compared to 17.4% as of 30 September 2007). Liabilities from settlement with customers were also substantial, 1.3 billion forints contributing 36.9% to other liabilities compared to 25.9% in 2007.

Shareholders' equity

The year-on-year increase in shareholders' equity was 23.9% (7.2 billion forints), reaching 37.6 billion forints as of 30 September 2008. The bulk of the year-on-year increase resulted from a 5,191 million forints increase in retained earnings. Cash-flow hedge reserves were up by 1,689 million forints due to the change in fair value in the wake of yield and exchange rate changes and had a positive impact on the increase in shareholders' equity. Share premium and general reserve increased shareholders' equity by an aggregate 737 million forints. On the other hand, shareholders' equity was reduced by a 312 million increase in treasury shares.

Overall, shareholders' equity increased by 1,288 million forints over the reported quarter. The main contributing factors included a 1.376 billion forints increase in retained earnings and a 250 million forints increase in general reserve. Conversely, a 144 billion forints drop in cash flow hedge reserve and a 205 million forintós increase in repurchased treasury shares reduced shareholders' equity.

Capital structure

Data in HUF million

MEGNEVEZÉS	30 September, 2008.	30 June, 2008.	30 September, 2007
Tier 1			
Subscribed capital	6,600	6,600	6,600
Own shares	-330	-126	-19
Premium	1,709	1,709	1,709
General reserve	3,674	3,424	2,937
Stock option reserve	54	22	84
Changes in fair value of available for sale fin. Assets	-41	-19	-7
Retained earnings	26,630	25,254	21,438
Cash-flow hedge reserve *	0	0	0
Shareholder's equity**	37,965	36,864	32,742
Intangible assets	-7,742	-7,455	-6,153
Tier 2			
General risk reserve	0	0	0
Total Tier 2 capital	0	0	0
Total regulatory capital	30,223	29,409	26,589

*Cash flow hedge reserve is excluded when calculating regulatory capital

**Without cash flow hedge reserve

Off balance sheet items

The Bank's pending liabilities among the off-balance sheet items were 2.3 billion forints. Contracted but not yet disbursed loans amounted to 3.6 billion forints. Future liabilities amounted to 330.8 billion forints and mainly include hedge transactions relating to mortgage bonds. Liabilities from currency swaps amounted to 0.7 billion forints.

The Bank only undertakes hedge transactions to close currency positions and eliminate risks, and does not engage in derivative transactions for speculative purposes.

IV. Summary of the major events that occurred between 30 September 2008 and the publication of the Interim Report

Mobile Payment Service

In October 2008, backed by FHB Commercial Bank Ltd. as financial service provider and FHB Services Ltd. as provider of technical and technological support (development and operation), FHB Group launched Mobile Payment Service, a unique and novel product.

Mobile Payment Service had been jointly developed by FHB Group and the telecommunication providers Pannon, T-Mobile and MPP. It enables customers of the two mobile telephone providers to embrace a new, comfortable, secure and innovative tool to transact payments. Pannon and T-Mobile customers, who have a subscription or use the top-up or pay-as-you-go systems and want to benefit from the Mobile Payment System open an account with FHB as part of the Service. Transactions conducted via mobile telephone will involve the account thus opened, complete with an optional overdraft facility.

Central European Credit Ltd. (CEC)

On 22 October 2008 FHB Services Ltd., a company entirely owned by FHB Mortgage Bank Plc signed a share transfer agreement with Central European Credit Ltd. Pursuant to the agreement, at a closing time to be specified later, FHB Services Ltd. will acquire title to all of the shares of CEC Ltd. and also acquire shares in other CEC holdings provided the closing terms and conditions are met.

Declaration

FHB Jelzálogbank Nyrt. (FHB Mortgage Bank Plc.) hereby declares that the figures and statements of this Report comply with reality, and it does not conceal any fact or information that would be substantial in the judgement of the issuer's position.

As issuer, FHB Jelzálogbank Nyrt. assumes exclusive liability for the contents of the report. FHB Jelzálogbank Nyrt. declares that it is liable as issuer for the reimbursement of losses caused by the omission and/or the misleading contents of regular and extraordinary information.

Budapest, 13th November, 2008

Dániel Gyuris
CEO

Gyula Köbli
Deputy CEO

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 Address: 1132 Budapest, Váci út 20.
 Sector code: 6522
 Reporting period: 01.01.2008 – 30.09.2008

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Financial Statements of FHB Mortgage Bank Plc. prepared in accordance with International Financial Reporting Standards (IFRS)

Profit and Loss Statement

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2008.	30 September, 2007.	Change (%)
Interest income	53,339,889	44,357,744	20.2%
Interest expense	-40,858,630	-31,809,179	28.4%
Net interest income	12,481,259	12,548,565	-0.5%
Fee and commission income	1,671,024	1,301,860	28.4%
Fee and commission expense	-349,146	-545,987	-36.1%
Profit from FX transactions	2,464,490	661,351	272.6%
Profit from changes of fair value of derivatives	-1,049,784	-508,982	106.3%
Gain less losses from securities	429,794	231,857	85.4%
Other operating income	1,523,938	432,521	252.3%
Other operating expense	-166,747	-180,001	-7.4%
Operating income	17,004,828	13,941,184	22.0%
Losses/provisions on loans and impairment	-480,601	-64,825	641.4%
Operating expenses	-9,099,481	-8,576,900	6.1%
Profit before tax	7,424,746	5,299,459	40.1%
Taxation expense	-2,364,311	-1,192,354	98.3%
Profit for the period	5,060,435	4,107,105	23.2%

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Balance Sheet

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2008.	30 September, 2007.	Change (%)
Assets			
Cash	489,251	395,700	23.6%
Due from National Bank of Hungary	3,704,736	467,499	692.5%
Placements with other banks	18,336,678	25,179,531	-27.2%
Available for sale securities	48,137,270	14,520,217	231.5%
Refinancing of mortgage loans	278,852,941	284,395,219	-1.9%
Loans	302,195,067	246,911,398	22.4%
Fair value of derivatives	4,468,403	5,496,237	-18.7%
Property for investment	5,104,691	792,129	544.4%
Property and equipment	10,194,619	8,931,958	14.1%
Other assets	5,107,648	5,837,698	-12.5%
Total Assets	676,591,304	592,927,586	14.1%
Liabilities			
Deposits from banks	20,746,769	46,902,493	-55.8%
Mortgage bond liabilities	505,819,049	498,216,448	1.5%
Bonds issued	64,450,250	6,913,932	832.2%
Deposits	32,050,534	2,293,931	1,297.2%
Fair value of derivatives	10,425,191	4,439,488	134.8%
Reserve for annuity payment	1,170,970	181,254	546.0%
Other liabilities	4,339,666	3,634,520	19.4%
Total Liabilities	639,002,429	562,582,066	13.6%
Shareholders' Equity			
Share capital	6,600,001	6,600,001	0.0%
Repurchased own shares	-330,468	-18,871	1,651.2%
Share premium	1,709,014	1,709,014	0.0%
General reserve	3,673,757	2,936,585	25.1%
Cash-flow hedge reserve	-706,342	-2,395,833	-70.5%
Stock option reserve	53,706	83,669	-35.8%
Variation in fair value of tradable financial assets	-40,565	-7,206	462.9%
Retained earnings/(deficit)	26,629,770	21,438,161	24.2%
Total Shareholders' Equity	37,588,874	30,345,520	23.9%
Total Liabilities and Shareholders' Equity	676,591,304	592,927,586	14.1%

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Cash Flow

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2008.	30 September, 2007.
Cash flows from operating activities		
Net profit	5,060,435	4,107,106
Non cash adjustments to net income to net cash from operating activities:		
Depreciation	1,313,242	855,985
Change of fair value of property for investment	-1,479,932	-381,486
Provision for losses	365,449	-61,260
Loss/(profit) on sale of fixed assets	33,185	59,466
Stock option reserve	-128,404	-98,502
Share granted	0	0
Derivatives	9,631,773	-2,292,939
Real value of annuity	785,795	181,254
Cash flow hedge reserve	0	0
Operating profit / (loss) before changes in operating assets	15,581,543	2,369,625
<i>Increase (decrease) in operating assets:</i>		
Refinancing of mortgage loans	15,867,037	-15,205,039
Loans	-37,459,306	-35,167,432
Accrued interest receivable	0	0
Other assets	144,885	-768,865
<i>Increase (decrease) in operating liabilities:</i>		
Deposits	28,451,445	2,293,931
Due to other banks	-5,226,808	3,754,664
Accrued interest payable	0	0
Other liabilities	-52,766	-486,917
Net cash used in operating activities	17,306,030	-43,210,032
Cash flows from investing activities		
Increase in available for sale securities	-26,457,308	-11,666,754
Proceeds from sale of property and equipment	7,183	13,704
Purchase of property and equipment	-1,902,860	-3,755,142
Purchase of property for investment	-2,117,472	
Investment service	26	
Net cash used in investing activities	-30,470,431	-15,408,829
Cash flows from financing activities		
Sale/(purchase) of own shares	-311,597	-596,423
own shares of prior year		
Long term loans	-5,372,400	-1,601,000
Paid dividend	0	-2,112,000
Cash flow hedge reserve	0	0
Instalment from mortgage bonds	-87,644,265	-12,583,130
Proceeds from issue of mortgage bonds	116,617,858	62,032,523
Net cash from financing activities	23,123,753	45,211,227
Net increase in cash and cash equivalents	-9,959,352	-13,407,634
Cash and cash equivalents at beginning of year	12,571,312	39,450,364
Cash and cash equivalents at end of period	22,530,664	26,042,730
Cash and cash equivalents comprises of:		
Cash	489,251	395,700
Due from Central Bank	3,704,736	467,499
Placements with other banks, with a maturity of less than 90 days	18,336,677	25,179,531
Cash and cash equivalents at end of period	22,530,664	26,042,730
<i>Supplemental information</i>		
Interest received	49,290,457	43,974,553
Interest paid	-39,553,015	-32,392,006
Tax paid	-1,298,678	-1,092,370

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Statement of Shareholders' Equity

(consolidated, non-audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	Share Capital	Treasury Shares	Share Premium	General reserve	Cash-flow hedge reserve	Stock option reserve	Variation in fair value (financial assets)	Retained earnings (deficit)	Shareholders' Equity
30 September, 2007.	6,600,001	-18,871	1,709,014	2,936,585	-2,395,833	83,669	-7,206	21,438,161	30,345,518
Transfer to general reserve				122,952				-122,952	0
Change of fair values cash flow hedge					425,473				425,473
Shares granted								4,305	4,305
Creation of stock option reserve						98,441			98,441
Changes in fair value of available for sale financial assets							-3,398		-3,398
Profit for the period								1,029,887	1,029,887
31 December, 2007.	6,600,001	-18,871	1,709,014	3,059,537	-1,970,360	182,110	-10,604	22,349,399	31,900,226
Transfer to general reserve				614,221				-614,221	0
Change of fair values cash flow hedge					1,264,018				1,264,018
Own shares purchase		-579,174							-579,174
Shares granted		267,577				-182,110		-165,843	-80,376
Creation of stock option reserve						53,706			53,706
Changes in fair value of available for sale financial assets							-29,960		-29,960
Profit for the period								5,060,435	5,060,435
30 September, 2008.	6,600,001	-330,468	1,709,014	3,673,758	-706,342	53,706	-40,564	26,629,770	37,588,875

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Loans

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	30 September, 2008	30 September, 2007
Real estate purchase	115,748,325	109,326,186
Real estate construction	50,915,301	50,241,531
Real estate reconstruction	4,231,177	4,749,033
Real estate extension	11,131,565	12,164,457
Other loans secured by real estate	116,741,665	69,862,413
Loans secured by non real estate	53,286	5,348
Employee loans	1,962,728	1,603,743
Loans, gross	300,784,047	247,952,711
from this: retail loans	281,610,190	235,370,790
other	19,173,857	12,581,921
Loan loss provision	-1,366,017	-757,147
Accrued interest	1,277,530	841,766
Accrued contracting fee		-1,125,932
Amortised cost	1,499,507	
Loans, net	302,195,067	246,911,398

Mortgage bonds

(consolidated, non- audited data as at 30 September, 2008 and 30 September, 2007, according to IFRS, data in thousand HUF)

DESCRIPTION	Carrying amount	Nominal value	Carrying amount	Nominal value
	30 September, 2008		30 September, 2007	
Non-listed mortgage bonds				
Fixed	173,615,339	173,742,520	182,815,259	182,365,550
Floating	62,835,550	45,823,280	71,525,868	71,573,000
Listed mortgage bonds				
Fixed	148,825,579	150,104,045	153,782,836	153,868,290
Floating	105,093,758	105,064,905	73,834,510	74,023,980
Accrued interest	15,448,823		16,257,975	
Total	505,819,049	474,734,750	498,216,448	481,830,820

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Data forms relating to the structure of shares and the group of owners

RS1. Ownership structure, participation and voting rates

Description of group of owners	Entire share capital						Listed series ¹					
	Beginning of target year			End of period			Beginning of target year			End of period		
	(01.01.2008)			(30.09.2008)			(01.01.2008)			(30.09.2008)		
	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db	% ²	% ³	Db
Domestic institutional / company	57.13	57.14	37,709,002	54.89	55.15	36,233,407	55.90	49.13	32,423,302	53.36	47.14	30,947,707
Foreign institutional / company	37.85	37.85	24,979,670	38.28	38.45	25,261,646	43.07	37.85	24,979,670	43.55	38.47	25,261,646
Domestic private individuals	0.76	0.76	500,265	2.03	2.04	1,341,929	0.86	0.76	500,265	2.31	2.05	1,341,929
Foreign private individuals	0.00	0.00	1,000	0.01	0.01	4,342	0.00	0.00	1,000	0.01	0.01	4,342
Employees, executives	0.13	0.13	84,974	0.22	0.22	142,241	0.15	0.13	84,974	0.25	0.22	142,241
Treasury shares	0.01	0.00	8,829	0.46	0.00	301,185	0.02	0.00	8,829	0.52	0.00	301,185
State ⁴	4.12	4.12	2,716,270	4.11	4.13	2,715,260	0.00	0.00	1,970	0,00	0.00	960
International Development Institutes ⁵	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
Other	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
TOTAL	100.00	100.00	66,000,010	100.00	100.00	66,000,010	100.00	87.88	58,000,010	100.00	87.88	58,000,010

¹ If the listed series is the same as the entire share capital, this must be indicated and no completion is required. If there are several series on the Stock Market, the ownership structure must be given for every series.

² Ownership share

³ The voting rights ensuring participation in decision making at the General Shareholder's Meeting of Issuer. If the ownership share and the voting rights are identical, only the ownership share column must be completed and submitted / disclosed, while the fact must be indicated.

⁴ E.g.: MNV Zrt., TB, local authorities, companies with 100% state ownership, etc.

⁵ E.g.: EBRD, EIB, etc.

The ownership share is equal to the voting rates for entire share capital.

RS2. Changes in the number of treasury shares (pcs) in the year concerned

	24 April		30 June		30 September	
	Quantity	%	db	%	db	%
Company	160.761	0,28	183.189	0,32	301.185	0,52
Subsidiaries ¹	0	0,00	0	0,00	0	0,00
TOTAL	160.761	0,28	183.189	0,32	301.185	0,52

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RS3. List and presentation of Owners holding a share exceeding 5% (at the end of the period) regarding the listed series

Name	Depository <small>(yes/no)</small>	Quantity	Interest (%) (up to 2 decimal places)	Voting right (%) (up to 2 decimal places)
Clearstream Nominee	Yes	8,523,972	14.70	12.97
Citibank Nominee	Yes	7,976,477	13.75	12.14
RZB Austria	Yes	7,249,790	12.50	11.03
VCP Finanz Holding Kft.	No	6,500,000	11.21	9.89
A64 Vagyonkezelő Kft.	No	6,437,598	11.10	9.80
SILVERMIST ESTATE SA	No	6,303,545	10.87	9.59
HSBC BANK PLC	No	6,270,635	10.81	9.54
Raiffeisen Nominee	Yes	4,621,743	7.97	7.04
TOTAL		53,883,760	92.90	82.02

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Data forms related to the organisation and operation of the issuer

TSZ2. Changes in the headcount of full-time staff (persons)

	End of base period (30 June 2007.)	Beginning of target year (1 January 2008.)	End of target period (30 September 2008.)
Bank	96	92	85
Consolidated	496	532	593

TSZ3. Persons in senior positions and (strategic) employees having an influence on the operations of the Issuer

Type ¹	Name	Position	Beginning of mandate	End / termination of mandate	Shares held (pcs)
IT	Dr. Zoltán Spéder	Chairman	29.04.2008.	29.04.2013.	0
IT	István Somkúti	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Gábor Borsányi	Member	29.04.2008.	29.04.2013.	14,000
IT	Dr. Károly Salamon	Member	29.04.2008.	29.04.2013.	6,000
IT	Dániel Gyuris	Member, CEO	29.04.2008.	29.04.2013.	14,500
IT	László Harmati	Member, Deputy CEO	29.04.2008.	29.04.2013.	16,192
IT	Dr. Márton Vági	Member	29.04.2008.	29.04.2013.	0
IT	Dr. Christian Riener	Member	29.04.2008.	29.04.2013.	0
FB	Róbert Somfai	Chairman	29.04.2008.	29.04.2013.	5,000
FB	Winkler Ágnes	Member	26.07.2002.	27.04.2012.	0
FB	Mónika Kék	Member	05.05.2005.	05.05.2010.	0
FB	Kata Orsolya Molnár	Member	05.05.2005.	05.05.2010.	0
FB	Dr. Erik Landgraf	Member	02.05.2006.	02.05.2011.	6,609
FB	Nguyen Hoang Viet	Member	02.05.2006.	02.05.2011.	5,245
SP	Gyula Köbli	Deputy CEO	01.11.2008	Indefinite	0
SP	Tamás Foltányi	Deputy CEO	07.11.2005	Indefinite	12,000
Shares held (pcs) TOTAL:					79,546

¹ Employee in a strategic position (SP), Member of the Board of Directors (IT), member of the Supervisory Board (FB)

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INFORMATION AND DISCLOSURES

The more important information and disclosures issued by FHB Group fall into the following categories:

- Events relating to Group operation (banking announcements, changes in the Rules of Operation);
- Disclosure of flash reports and annual reports;
- Information in relation to mortgage bonds (offerings and repurchase, updating of the domestic and international mortgage bond issues programme, value of mortgage bonds and their cover);
- Shareholders' announcements regarding acquisition of holdings in excess of 5%;
- Notification of FHB share transactions;
- Rating by Moody's;
- Proposals submitted to the AGM and invitation to the AGM.
- Owners' decision about FHB subsidiaries (capital increase of FHB Commercial Bank)
- Changes in management and senior positions

Announcements, information and disclosures published by FHB are available at the following sites:

www.bet.hu

www.kozzetetelek.hu

www.fhb.hu